

2002 Sales or Use Tax Rate Change – Television and Telecommunication Service Providers

TV & Telecom tax notice

Chapter 856, Public Acts of 2002 increases the general state sales and use tax rate by one percent (1.0%) to a new state rate of seven percent (7.0%). **The effective date of the new rate is July 15, 2002.**

The increased state rate applies to all sales of telecommunication services subject to sales tax **except** as set forth in this notice.

Interstate telecommunications are communications that either originate or terminate outside Tennessee. Pursuant to Tenn. Code Ann. § 67-6-221(a) interstate telecommunication services sold to businesses continue to be subject to the state tax rate of seven and one-half percent (7.5%).

The increased state rate does not apply to television services provided by a direct-to-home satellite service provider. Pursuant to TCA § 67-6-227, fees for subscription to, access to, or use of television programming or television services delivered by a provider of direct-to-home satellite service are subject to the state rate of eight and one quarter percent (8.25%).

The increased state rate does not apply to the first \$27.50 of sales of television services provided by cable television service providers authorized pursuant to Title 7, Chapter 59 and wireless cable

television service providers. Pursuant to TCA § 67-6-226, the first \$15.00 of these charges is exempt, and the portion of such charges between \$15.01 and \$27.50 is subject only to the state tax rate of 8.25% but not to local option tax. The portion of such charges in excess of \$27.50 is now taxable at the increased state rate of 7% plus the applicable local rate, pursuant to TCA § 67-6-103(f), as amended.

Also effective July 15, 2002, a state sales and use tax of two and three quarters percent (2.75%) is levied on the amount in excess of \$1,600, but less than or equal to \$3,200, on the sale or use of any single article of personal property as defined in TCA § 67-6-702(d). The first \$1,600 of the sales price will continue to be taxed at the appropriate local rate. The amount from \$1,600.01 to \$3,200 will be taxed at a rate of two and three quarters percent (2.75%). The single article cap only applies to the sale of tangible personal property and does not apply to the sale of services.

The provisions for the increased state tax rate will first apply to bills issued by television and telecommunications service providers to their customers that are dated on or after July 15, 2002 for charges not previously billed. When you receive your July tax return, you will find the tax rate effective as of July 1 printed on the return. However, you will

need to maintain records to show how much tax was collected under both the old rate and the rate effective July 15, 2002. As there are two tax rates in effect during July 2002, separate calculations for each rate must be made to compute the correct tax liability. You must maintain adequate supporting documentation in your records to prove all entries on the return.

Have questions or comments? Please let us know. [Contact us.](#)

Publication Date: July 2002